

MAIL TO:

STATE OF UTAH
DIVISION OF PURCHASING
3150 STATE OFFICE BUILDING, STATE CAPITOL
P.O. BOX 141061
SALT LAKE CITY, UTAH 84114-1061
TELEPHONE (801) 538-3026
www.purchasing.utah.gov

**Request for Proposal
Agency Contract**Solicitation Number: **RM6041**Due Date: **02/08/06 at 5:00 P.M.**

Date Sent:

January 24, 2006

Goods and services to be purchased:

**CONTRACT TO PROVIDE CONSULTING SERVICES IN CONNECTION WITH THE JOINT
APPLICATION ON A QUESTAR GAS COMPANY GENERAL RATE CASE****Please complete**

Company Name		Federal Tax Identification Number	
Ordering Address	City	State	Zip Code
Remittance Address (if different from ordering address)	City	State	Zip Code
Type <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Proprietorship <input type="checkbox"/> Government	Company Contact Person		
Telephone Number (include area code)	Fax Number (include area code)		
Company's Internet Web Address	Email Address		
Discount Terms (for bid purposes, bid discounts less than 30 days will not be considered)	Days Required for Delivery After Receipt of Order (see attached for any required minimums)		
<p>The following documents are included in this solicitation: Solicitation forms, instructions and general provisions, and specifications. <u>Please review all documents carefully before completing.</u></p> <p>The undersigned certifies that the goods or services offered are produced, mined, grown, manufactured, or performed in Utah. Yes ____ No _____. If no, enter where produced, etc. _____</p>			
Offeror's Authorized Representative's Signature		Date	
Type or Print Name		Position or Title	

**STATE OF UTAH
DIVISION OF PURCHASING**

Request for Proposal

Solicitation Number: RM6041

Due Date: 02/08/06

Vendor Name:

CONTRACT TO PROVIDE CONSULTING SERVICES IN CONNECTION WITH THE JOINT APPLICATION ON A QUESTAR GAS COMPANY GENERAL RATE CASE PER THE ATTACHED RFP.

NOTE: DUE TO THE LEGISLATIVE SESSION PARKING ON CAPITOL HILL IS EXTREMELY LIMITED AT THIS TIME. YOU MAY WANT TO PLAN TO MAIL YOUR RESPONSE.

RX #: 670 6RX00000012
COMMODITY CODE: 96102

REQUEST FOR PROPOSAL - INSTRUCTIONS AND GENERAL PROVISIONS

1. PROPOSAL PREPARATION: (a) All prices and notations must be in ink or typewritten. (b) Price each item separately. Unit price shall be shown and a total price shall be entered for each item bid. (c) Unit price will govern, if there is an error in the extension. (d) Delivery time of services and products as proposed is critical and must be adhered to. (e) All products are to be of new, unused condition, unless otherwise requested in this solicitation. (f) Incomplete proposals may be rejected. (g) This proposal may not be withdrawn for a period of 60 days from the due date. (h) Where applicable, all proposals must include complete manufacturer's descriptive literature. (i) By signing the proposal the offeror certifies that all of the information provided is accurate, that they are willing and able to furnish the item(s) specified, and that prices offered are correct.

2. SUBMITTING THE PROPOSAL: (a) The proposal must be signed in ink, sealed, and delivered to the DIVISION OF PURCHASING (DIVISION), 3150 State Office Building, Capitol Hill, Salt Lake City, UT 84114-1061. **The "Solicitation Number" and "Due Date" must appear on the outside of the envelope.** (b) Proposals, modifications, or corrections received after the closing time on the "Due Date" will be considered late and handled in accordance with the Utah Procurement Rules, section 3-209. (c) **Your proposal will be considered only if it is submitted on the forms provided by the state. Facsimile transmission of proposals to DIVISION will not be considered.** (d) All prices quoted must be both F.O.B. Origin per paragraph 1.(c) and F.O.B. Destination. Additional charges including but not limited to delivery, drayage, express, parcel post, packing, cartage, insurance, license fees, permits, costs of bonds, or for any other purpose must be included in the proposal for consideration and approval by the Division of Purchasing & General Services (DIVISION). Upon award of the contract, the shipping terms will be F.O.B. Destination with all transportation and handling charges paid by the Contractor, unless otherwise specified by the DIVISION. No charge for delivery, drayage, express, parcel post, packing, cartage, insurance, license fees, permits, costs of bonds, or for any other purpose will be paid by the state unless specifically included in the proposal and accepted by DIVISION. (e) By signing the proposal the offeror certifies that all of the information provided is accurate and that he/she offers to furnish materials/services for purchase in strict accordance with the requirements of this proposal including all terms and conditions.

3. SOLICITATION AMENDMENTS: All changes to this solicitation will be made through written addendum only. Bidders are cautioned not to consider verbal modifications.

4. PROPRIETARY INFORMATION: Suppliers are required to mark any specific information contained in their bid which is not to be disclosed to the public or used for purposes other than the evaluation of the bid. Each request for non-disclosure must be accompanied by a specific justification explaining why the information is to be protected. Pricing and service elements of any proposal will not be considered proprietary. All material becomes the property of the state and may be returned only at the state's option. Proposals submitted may be reviewed and evaluated by any persons at the discretion of the state.

5. BEST AND FINAL OFFERS: Discussions may be conducted with offerors who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of assuring full understanding of, and responsiveness to, solicitation requirements. Prior to award, these offerors may be asked to submit best and final offers. In conducting discussions, there shall be no disclosure of any information derived from proposals submitted by a competing offeror.

6. SAMPLES: Samples, brochures, etc., when required, must be furnished free of expense to the state and if not destroyed by tests may, upon request made at the time the sample is furnished, be returned at the offeror's expense.

7. DIVISION APPROVAL: Contracts written with the State of Utah, as a result of this proposal, will not be legally binding without the written approval of the Director of the DIVISION.

8. AWARD OF CONTRACT: (a) The contract will be awarded with reasonable promptness, by written notice, to the responsible offeror whose proposal is determined to be the most advantageous to the state, taking into consideration price and evaluation factors set forth in the RFP. No other factors or criteria will be used in the evaluation. The contract file shall contain the basis on which the award is made. Refer to Utah Code Annotated 65-56-408. (b) The DIVISION can reject any and all proposals. And it can waive any informality, or technicality in any proposal received, if the DIVISION believes it would serve the best interests of the state. (c) Before, or after, the award of a contract the DIVISION has the right to inspect the offeror's premises and all business records to determine the offeror's ability to meet contract requirements. (d) The DIVISION will open proposals publicly, identifying only the names of the offerors. Proposals and modifications shall be time stamped upon receipt and held in a secure place until the due date. After the due date, a **register** of proposals shall be established. The **register** shall be open to public inspection, but the proposals will be seen only by authorized DIVISION staff and those selected by DIVISION to evaluate the proposals. The register and contract awards are posted under "Vendor Info" at www.purchasing.utah.gov. The proposal(s) of the successful offeror(s) shall be open for public inspection for 90 days after the award of the contract(s). (e) Utah has a reciprocal preference law which will be applied against bidders bidding products or services produced in states which discriminate against Utah products. For details see Section 63-56-404 and 63-56-405, Utah Code Annotated. (f) Multiple contracts may be awarded if the State determines it would be in its best interest.

9. ANTI-DISCRIMINATION ACT: The offeror agrees to abide by the provisions of the Utah Anti-discrimination Act, Title 34 Chapter 35, U.C.A. 1953, as amended, and Title VI and Title VII of the Civil Rights Act of 1964 (42 USC 2000e), which prohibit discrimination against any employee or applicant for employment, or any applicant or recipient of services, on the basis of race, religion, color, or national origin; and further agrees to abide by Executive Order No. 11246, as amended, which prohibits discrimination on the basis of sex; 45 CFR 90 which prohibits discrimination on the basis of age, and Section 504 of the Rehabilitation Act of 1973 or the Americans with Disabilities Act of 1990, which prohibits discrimination on the basis of disabilities. Also offeror agrees to abide by Utah's Executive Order, dated March 17, 1993, which prohibits sexual harassment in the workplace. Vendor must include this provision in every subcontract or purchase order relating to purchases by the State of Utah to insure that the subcontractors and vendors are bound by this provision.

10. WARRANTY: The contractor agrees to warrant and assume responsibility for all products (including hardware, firmware, and/or software products) that it licenses, contracts, or sells to the State of Utah under this contract for a period of one year, unless otherwise specified and mutually agreed upon elsewhere in this contract. The contractor (seller) acknowledges that all warranties granted to the buyer by the Uniform Commercial Code of the State of Utah applies to this contract. Product liability disclaimers and/or warranty disclaimers from the seller are not applicable to this contract unless otherwise specified and mutually agreed upon elsewhere in this contract. In general, the contractor warrants that: (1) the product will do what the salesperson said it would do, (2) the product will live up to all specific claims that the manufacturer makes in their advertisements, (3) the product will be suitable for the ordinary purposes for which such product is used, (4) the product will be suitable for any special purposes that the State has relied on the contractor's skill or judgement to consider when it advised the State about the product, (5) the product has been properly designed and manufactured, and (6) the product is free of significant defects or unusual problems about which the State has not been warned. Remedies available to the State include the following: The contractor will repair or replace (at no charge to the State) the product whose nonconformance is discovered and made known to the contractor in writing. If the repaired and/or replaced product proves to be inadequate, or fails of its essential purpose, the contractor will refund the full amount of any payments that have been made. Nothing in this warranty will be construed to limit any rights or remedies the State of Utah may otherwise have under this contract.

11. DEBARMENT: The CONTRACTOR certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction (contract) by any governmental department or agency. If the CONTRACTOR cannot certify this statement, attach a written explanation for review by the STATE.

12. ENERGY CONSERVATION AND RECYCLED PRODUCTS: The contractor is encouraged to bid Energy Star certified products or products that meet FEMP (Federal Energy Management Program) standards for energy consumption. The State of Utah also encourages contractors to bid products that are produced with recycled materials, where appropriate, unless otherwise requested in this solicitation.

13. GOVERNING LAWS AND REGULATIONS: All State purchases are subject to the Utah Procurement Code, Title 63, Chapter 56 Utah Code Annotated 1953, as amended, and the Procurement Rules as adopted by the Utah State Procurement Policy Board (Utah Administrative Code Section R33). These are available on the Internet at www.purchasing.utah.gov.

REQUEST FOR PROPOSAL
Natural Gas General Rate Case
Solicitation # RM6041

1 PURPOSE OF REQUEST FOR PROPOSAL (RFP)

The Utah Committee of Consumer Services (CCS or Committee) is a Utah state governmental agency with a statutory mandate to represent the interests of small business, farming, ranching, and residential utility customers in utility proceedings before the Public Service Commission of Utah (PSCU or Commission).

On December 16, 2005, Questar Gas Company (QGC or the Company), the Division of Public Utilities (DPU) and Utah Clean Energy ("The Parties") filed a Joint Application with the Commission requesting approval of a "Conservation Enabling Tariff" that would: (1) decouple QGC's Distribution Non-Gas (DNG) revenues from sales to prevent revenue losses resulting from impacts of both the sharp increase in market gas prices on customer usage and new Demand-Side Management (DSM) programs; (2) provide a \$10.2 million general rate decrease tied to selective adjustments to the Company's revenue requirement, including lower depreciation rates stemming from a new depreciation study that QGC plans to file with the PSC by January 20, 2006; and (3) credit a one-time amount of \$1.3 million into a deferred account for DSM program funding.

The purpose of this Request for Proposals (RFP) is to enter into contracts with one or more qualified firms to provide expert assistance to the Committee in either a proceeding to examine issues raised in connection with the Joint Application on a Questar Gas Company general rate case. The Committee is interested in retaining experts to examine issues in the following six areas: (1) revenue requirement; (2) cost of capital; (3) cost of service/rate design; (4) depreciation; (5) alternative ratemaking mechanisms; and (6) demand-side management.

This RFP is designed to provide interested offerors with sufficient basic information to submit proposals meeting minimum requirements, but is not intended to limit a proposal's content or exclude any relevant or essential data. Offerors are at liberty and are encouraged to expand upon the specifications to evidence service capability under any agreement. *It is anticipated that this RFP may result in a contract award to multiple contractors.*

2 BACKGROUND

2.1 QGC is a retail gas-distribution utility that serves over 731,000 residential, commercial and industrial customers in Utah and portions of Wyoming and Idaho. The company is a subsidiary of Questar Corporation and is under the jurisdiction of the Utah and Wyoming Public Service Commissions. The Commission approved the acquisition of Utah Gas Service Company in July 2001, making QGC the only retail natural gas supplier in Utah. The

Company is headquartered in Salt Lake City, Utah.

- 2.2 QGC's last Utah general rate case occurred in 2002, wherein the Commission increased QGC's annual revenue requirement by \$11.2 million (ROE = 11.25%). The Company was also ordered to (1) conduct a review of its depreciation policies, (2) to examine DSM alternatives for resource planning in its Integrated Resource Plan (IRP) proceedings, and (3) examine its cost allocation and rate design methodologies.

2.2.1 The Company engaged Garnett and Fleming, a consulting firm that specializes in depreciation studies, to review its current depreciation methodology and make recommendations as to whether a different depreciation approach should be used. Garnett and Fleming reviewed the following depreciation methodologies: (1) the current 30-year straight-line method used by Questar Gas, (2) the Equal Life Group (FLG) method, and (3) the Average Service Life (ASL) method. On December 9, 2005, Garnett and Fleming met with representatives from the Company, DPU, and the Committee and explained their analysis. The Parties proposed that the ASL depreciation method be adopted and that the difference in the accumulated depreciation—resulting from a change to the depreciation methodology—be amortized in depreciation expenses over a 10-year period. The Parties requested an accounting order approving this methodology.

2.2.2 Based on guidance from the Natural Gas DSM Advisory Group, QGC plans to begin pursuing cost-effective DSM programs. Upon receiving Commission approval for specific DSM program expenditures, the associated costs will be placed in a deferred account. The DSM deferred balance will accrue interest at a rate equal to the 191 account carrying charge rate and will be amortized in conjunction with the Conservation Enabling Tariff amortization. The Parties propose that the one time amount of \$1.3 million will be immediately credited into the deferred account to provide initial funding for these programs. The \$1.3 million referenced above comes from funds that have been collected in rates for the purpose of research and development.

2.2.3 In January 2003, a task force was formed to analyze the reasonableness of QGC's cost allocation/rate design methodologies. After the main focus of the task force was completed, the Company proposed to meet with the task force regarding methods to address decreases in DNG revenues resulting from declines in customer usage. Alternatives methods considered were: (1) fully projected test years 20 months into the future; (2) abbreviated annual rate cases using projected test years; (3) rate design changes to recover a higher percentage of the fixed costs through a fixed delivery service charge; (4) a revenue-sales

decoupling mechanism; and (5) annual rate cases with a banded rate of return on equity (ROE) with quarterly monitoring and automatic rate changes when the actual ROE falls outside the band. These alternatives were later narrowed down to the following three:

- (1) Revenue Stabilization Alternative which would require annual rate cases, banded ROE and quarterly reviews;
- (2) Rate Design Alternative that would collect fixed costs through a fixed monthly delivery services charge; and
- (3) Conservation Enabling Tariff Alternative that would fully decouple DNG revenue collection from volumetric sales.

In the Joint Application, the Parties request that the Commission approve a revenue-sales decoupling mechanism (Alternative 3 above) on a three-year, pilot program basis.

- 2.3 Testimony in support of the Joint Application is scheduled to be filed on January 13, 2006 and a hearing is scheduled for early February 2006. The Committee expects to argue that a general rate case is the more appropriate forum to address the issues raised in connection with the Joint Application.

3 ISSUING OFFICE AND RFP REFERENCE NUMBER

The State of Utah Division of Purchasing is the issuing office for this document and all subsequent addenda relating to it, on behalf of the Committee of Consumer Services. The reference number for the transaction is Solicitation # RM6041. This number must be referred to on all proposals, correspondence, and documentation relating to the RFP.

4 SUBMITTING YOUR PROPOSAL

One original and five identical copies of your proposal must be received at the State of Utah Division of Purchasing, 3150 State Office Building, Capitol Hill, Salt Lake City, Utah 84114, prior to the closing date and time specified. Proposals received after the deadline will be late and ineligible for consideration.

5 LENGTH OF CONTRACT

The Contract resulting from this RFP will be for a period of two (2) years with renewable options up to five (5) additional years, at the State's discretion and by mutual agreement.

6 PRICE GUARANTEE PERIOD

All pricing must be guaranteed for the entire term of the contract. Following the guarantee period, any request for price adjustment must be for an equal guarantee period, and must be made at least 30 days prior to the effective date. Requests for price adjustment must include sufficient documentation supporting the request. Any adjustment or amendment to the contract will not be effective unless approved by the State Director of Purchasing. The State will be given the immediate benefit of any decrease in the market, or allowable discount.

7 STANDARD CONTRACT TERMS AND CONDITIONS

Any contract resulting from this RFP will include the State's standard terms and conditions. These may be accessed at:

<http://www.purchasing.utah.gov/contractinfo/TermsAgency.pdf>

8 QUESTIONS

All questions must be submitted in writing and may be submitted to Roselle Miller via email at: rwmiller@utah.gov or fax at: 801-538-3882. Questions are due by 5:00 p.m. on January 30, 2006. Questions received after that date may not be answered. Answers will be given via an addendum posted on the Division of Purchasing Web site.

9 DISCUSSIONS WITH OFFERORS (ORAL PRESENTATION)

An oral presentation by an offeror to clarify a proposal may be required at the sole discretion of the State. However, the State may award a contract based on the initial proposals received without discussion with the offeror. If oral presentations are required, they will be scheduled after the submission of proposals. Oral presentations will be made at the offeror's expense.

10 PROTECTED INFORMATION

The Government Records Access and Management Act (GRAMA), Utah Code Ann., Subsection 63-2-304, provides in part that:

the following records are protected if properly classified by a government entity:

(1) trade secrets as defined in Section 13-24-2 if the person submitting the trade secret has provided the governmental entity with the information specified in Section 63-2-308 (Business Confidentiality Claims);

(2) commercial information or non-individual financial information obtained from a person if:

(a) disclosure of the information could reasonably be expected to result in unfair competitive injury to the person

submitting the information or would impair the ability of the governmental entity to obtain necessary information in the future;

(b) the person submitting the information has a greater interest in prohibiting access than the public in obtaining access; and

(c) the person submitting the information has provided the governmental entity with the information specified in Section 63-2-308;

* * * * *

(Subsection (6)) records the disclosure of which would impair governmental procurement proceedings or give an unfair advantage to any person proposing to enter into a contract or agreement with a governmental entity, except that this Subsection (6) does not restrict the right of a person to see bids submitted to or by a governmental entity after bidding has closed;

Consistent with Subsection 63-2-304(6) the Division of Purchasing has classified proposals submitted in response to this RFP as protected (Retention and Classification Report for Records Series 16591) except that a successful proposal is available for public inspection for 90 days.

An offeror may also protect portions of a proposal by submitting a Claim of Business Confidentiality to protect trade secrets, commercial information or non-individual financial information as provided in Subsections 63-2-304(1) and (2).

To protect information under a Claim of Business Confidentiality, the offeror must:

1. provide a written Claim of Business Confidentiality *at the time the information (proposal) is provided to the state*, and
2. include a concise statement of reasons supporting the claim of business confidentiality (Subsection 63-2-308(1)).

A Claim of Business Confidentiality is appropriate for information such as client lists and non-public financial statements. Pricing and service elements may not be protected. An entire proposal may not be protected under a Claim of Business Confidentiality. The claim of business confidentiality must be submitted with your proposal on the form which may be accessed at: <http://www.purchasing.utah.gov/contractinfo/ConfidentialityClaimForm.doc>

To ensure the information is protected, the Division of Purchasing asks the offeror to clearly identify in the Executive Summary and in the body of the proposal any specific information for which an offeror claims business confidentiality protection as "PROTECTED".

All materials submitted become the property of the state of Utah. Materials may

be evaluated by anyone designated by the state as part of the proposal evaluation committee. Materials submitted may be returned only at the State's option.

11 SCOPE OF WORK

11.1 Revenue Requirement

Provide assistance and a full regulatory review of the following items:

- 11.1.1 The appropriate test year (historical with known and measurable adjustments, mixed, and future) for the rate case;
- 11.1.2 Standard Revenue Requirement issues (rate base, expense, revenues);
- 11.1.3 Affiliate-related expenses unique to Questar;
- 11.1.4 New Pipeline Inspection Compliance Program and associated expense;
- 11.1.5 Revenue requirement impacts of any changes recommended by CCS experts to QGC's level of test year depreciation expense;
- 11.1.6 Deferred ratemaking treatment of DSM programs and expenditures;
- 11.1.7 Alternative approaches or mechanisms to address lost revenues stemming from declines in customer usage in response to either rising gas commodity prices or DSM programs (See 12.5 below);
- 11.1.8 Appropriateness of QGC's weather normalization adjustment mechanism.

11.2 Cost of Capital

Develop and recommend an appropriate return on equity (ROE) and capital structure for QGC based on current market conditions and commensurate with the Company's level of financial and business risk. QGC's gas pass-through account and weather normalization adjustment mechanism, and potentially a full revenue-sales decoupling mechanism, reduce its exposure to risk and should be considered in formulating a recommendation. Experts will be expected to offer detailed ROE analyses based on the Discounted Cash Flow (DCF) Method, Capital Asset Pricing Method and the Risk Premium Method.

11.3 Cost-of-Service/Rate Design

Key issues that need to be analyzed include, but are not limited to:

- 11.3.1 QGC's filed cost-of-service study, QGC's proposed cost allocation method and rate spread, QGC's recommended changes to the GS-1 (Residential and Small Commercial) rate

design;

- 11.3.2 Level of Customer Charge (Basic Service Fee);
- 11.3.3 Separation of GS-1 class into residential and commercial rate schedules;
- 11.3.4 Geographic segmentation of residential and commercial rates;
- 11.3.5 Issues relating to interruptible sales (IS), and interruptible and firm transportation (IT, FT) customers;
- 11.3.6 Value of peaking gas available from IT customers during periods of interruption; and
- 11.3.7 Summer/winter rate differential for GS-1 class.

11.4 Depreciation

The expert retained in this case will be expected to:

- 11.4.1 Analyze and assess the reasonableness of: the Depreciation Study prepared by the Company's consultant, Garnett and Fleming; the recommended Average Service Life (ASL) method; and the recommendation to amortize the change in depreciation expense over 10 years.
- 11.4.2 Analyze the appropriateness of alternative depreciation methods and make recommendations considering the short- and long-term impacts on QGC's residential and small commercial customers.

11.5 Alternative Ratemaking Mechanisms

Significant issues that need to be examined include the following:

- 11.5.1 Alternative ratemaking mechanisms used by state utility commissions to remove utility disincentives to develop and implement cost-effective DSM programs;
- 11.5.2 Pros and cons of alternatives used by state utility commissions to deal with declines in customer usage and the resulting decrease in DNG revenues (frequent or "mini" rate cases, recovery of DNG costs through fixed rate charges, etc.)

11.6 Demand-Side Management

The Committee anticipates that expert assistance in this area will include the following:

- 11.6.1 Examine the DSM Report and recommendations prepared by GDS Associates, which address cost-effective gas DSM programs for QGC;
- 11.6.2 Evaluate DSM programs proposed in the GDS Report using the cost effectiveness criteria established by the Utah Public Service

Commission and recommend appropriate levels of DSM expenditures;

- 11.6.3 Advise on the reasonableness of promoting ENERGY STAR products and a pilot program involving education and provision of low-cost efficiency measures;
- 11.6.4 Advise on the reasonableness of the proposed deferred accounting mechanism established for tracking DSM programs costs; and
- 11.6.5 Advise on the appropriateness of crediting \$1.3 million into the deferred account to provide initial funding for these programs. (The \$1.3 million referenced above relates to funds that have been collected in rates for the purpose of research and development.)

12 PROJECT TASKS

It is anticipated that the project tasks will be as follows:

- 12.1 In concert with Committee staff and attorney(s) assigned to this case, begin analysis of the application, testimony and resulting issues.
- 12.2 Review key issues as set forth in the Scope of Work with Committee staff and attorney(s). Identify additional significant issues based on initial review and analysis of Company materials.
- 12.3 Develop discovery questions and attend technical conferences or meetings as requested by Committee staff.
- 12.4 Provide progress updates to Committee staff and counsel on a regular basis.
- 12.5 Prepare a brief report setting forth analysis, conclusions and recommendations in each of the areas identified in the Scope of Work.
- 12.6 Prepare and submit to Committee staff written direct testimony, in final draft form, for review and approval at least five working days prior to the filing deadline.
- 12.7 Develop further discovery questions.
- 12.8 Respond to discovery requests in a timely and professional manner.
- 12.9 Prepare and submit to Committee staff written rebuttal/surrebuttal testimony in final draft form for review and approval at least three working days prior to the filing deadline.
- 12.10 Participate in settlement negotiations, as directed by Committee staff.
- 12.11 Testify and submit to cross-examination at hearings before the PSCU.
- 12.12 Assist Committee counsel with cross-examination of opposing witnesses at hearing.

- 12.13 Assist Committee counsel, as requested, in the preparation of any case briefs.
- 12.14 Review the Commission's final order, as requested by Committee staff, and participate in any requested review and discussions regarding possible appeal of the PSCU order.
- 12.15 Prepare a written exit review of the case (as requested).

13 PROPOSAL REQUIREMENTS AND COMPANY QUALIFICATIONS

Information required from offeror:

- 13.1 Length of Proposal - Please limit your Proposal to thirty (30) pages or less.
- 13.2 Statement of Experience - Please provide a detailed discussion of your ability to review and address the anticipated issues and provide information demonstrating your experience in calculating and addressing revenue requirement and regulatory accounting issues for utilities. Also, please cite any experience you may have specific to Utah regulatory principles and practices.
- 13.3 Statements of Tasks - Identify your assessment of the major tasks for addressing the issues and achieving the project objectives.
- 13.4 Work Plan - Include a specific work plan describing the steps that will be taken to complete each major task.
- 13.5 Project Schedule - Include a project schedule (preferably a detailed matrix) showing the amount of time in hours and dollars per person devoted to each major task.
- 13.6 Progress Report - Describe the procedures that will be used to keep the Committee informed of progress toward completing the project.
- 13.7 Personnel - List the names and professional qualifications of each person who will be performing work. State the specific tasks to which each person will be assigned.
- 13.8 References - Provide name and contact number of three people who can validate the expertise and experience of each consultant.
- 13.9 Potential Conflicts of Interest - Identify any conflict, or potential conflict of interest, that might arise during the course of the project. If no conflicts are expected, include a statement to that effect in the Proposal.
- 13.10 Information Technology Capabilities - The selected expert contractor must be able to use Microsoft Word and Excel, and have fax capability. Internet access and the ability to communicate and transmit documents via e-mail are also necessary. The offeror's technology capabilities in these respects must also be addressed in the Proposal.

14 PROPOSAL RESPONSE FORMAT

All proposals must be organized and tabbed with labels for the following headings:

- 14.1 **RFP Form.** The State's Request for Proposal form completed and signed.
- 14.2 **Executive Summary.** The one or two page executive summary is to briefly describe the offeror's proposal. This summary should highlight the major features of the proposal. It must indicate any requirements that cannot be met by the offeror. The reader should be able to determine the essence of the proposal by reading the executive summary. Proprietary information requests should be identified in this section.
- 14.3 **Detailed Response.** This section should constitute the major portion of the proposal and must contain at least the following information:
 - 14.3.1 A complete narrative of the offeror's assessment of the work to be performed, the offeror's ability and approach, and the resources necessary to fulfill the requirements. This should demonstrate the offeror's understanding of the desired overall performance expectations. Clearly indicate any options or alternatives proposed.
 - 14.3.2 A specific point-by-point response, in the order listed, to each requirement in the RFP.
- 14.4 **Cost Proposal.** Cost will be evaluated independently from the technical proposal. Please enumerate all costs on the attached Cost Proposal Form (see Attachment C).

15. **PROPOSAL EVALUATION CRITERIA**

A committee will evaluate proposals against the following weighted criteria. Each area of the evaluation criteria must be addressed in detail in proposal (see Attachment D).

<u>WEIGHT</u>	<u>EVALUATION CRITERIA</u>
25 %	Demonstrated ability to meet the scope of work – soundness, originality and feasibility of the approach to be utilized including data collection techniques, analytical methods, project management, and planning and prioritization of study steps.
15 %	Understanding of the key issues identified in the scope of work.
20 %	Prior experience and demonstrated technical capability – demonstrated experience and ability of the individual staff members assigned to the project to perform the proposed work, particularly the training, experience and availability of the project manager and

of individuals assigned to the most complex areas of the project. Experts must have testified on each of the areas they are offering on during the last five years.

- 15 % Expertise of personnel – educational background (accounting, economic, engineering), work experience (utility companies, regulatory agencies, consulting firms, university teaching positions), and performance references for similar projects.
- 25 % Cost – a complete and detailed budget proposal must identify all anticipated costs in two areas: personnel and non-personnel (travel, telephone, mail, copying, etc.).

ATTACHMENT B: SPECIAL TERMS AND CONDITIONS

- 1 **PROPOSAL CONTENT:** The content of the Contractor's proposal and the budget negotiated between the Contractor and the Committee shall be included in, and are hereby incorporated into, this Contract.
- 2 **CONTRACT COMPLIANCE:** To assure compliance with the Contract, the Committee or its representative(s) will at all times, during normal business hours, have the right to enter into the Contractor's premises or other places where work under the Contract is being performed, including the utility company's premises, to monitor or otherwise evaluate work performed or being performed.
- 3 **COMPLETION:** The Contractor agrees that, for a period of two years from the completion of this project and upon the request of the Committee, it shall testify, and it shall provide advice and support regarding the project so that Committee staff may testify, in any proceeding or action to which the Committee is a party. The parties agree that the Contractor shall be compensated for any such advice and support at the contracted rates without any surcharge. Such charges shall be additional to the amounts specified herein. The Contractor's obligation under this paragraph shall survive any termination of this Contract.
- 4 **SUBCONTRACTING:** The Contractor is prohibited from assigning or subcontracting this Contract, or any part hereof, except as provided in its proposal, without the express written consent of the Committee. Any assignee or subcontractor is subject to the same conditions in this Contract as the Contractor. The Committee may require the removal from work on the Contract of any assignee or subcontractor it deems incompetent, careless, insubordinate, or otherwise unacceptable, or whose continued employment on the Contract it deems contrary to the public interest or not in the best interest of the State of Utah.
- 5 **STAFF CHANGES:** The Contractor agrees that changes in the identity or allocation of professional staff assigned to the project by the Contractor may be made only upon the written consent of the Committee.
- 6 **PERFORMANCE STANDARDS:** If the Committee finds the detailed work or staffing deficient for any reason, and those deficiencies cannot be corrected to the satisfaction of the Committee, the Contract will be terminated and the Contractor will be paid for whatever work was reasonable and necessary. The Contractor shall notify the Committee immediately in the event unforeseen circumstances cause, or are likely to cause, delays in performance that would require schedule adjustments. However, this is a not-to-exceed contract, and the Committee will carefully review any requests for additional calendar time and/or monies.
- 7 **ACCEPTED STANDARDS:** The Contractor shall conduct the project in accordance with generally accepted standards. The Contractor shall perform its services in a thorough and professional manner and will be deemed to have breached the Contract when any deficiencies in its services are attributable to its failure to comply with generally accepted standards.
- 8 **CONDUCT:** While in or on the utility company's property, the Contractor agrees to abide by the company's operating and safety rules and procedures; plan, arrange and conduct its work so there will be no interference or interruption with the continuous operation of the company's business, other than those normally associated with the conduct of a project of this magnitude; and maintain the company's working and office areas in a neat and workmanlike manner.
- 9 **CONFIDENTIALITY:** The Contractor understands that the work done under this Contract is for the Committee and is done at the Committee's direction; that all the work under this Contract, including, but not limited to, all communications, whether written or oral, between it and the Committee, is confidential and privileged; and that the Contractor will not reveal the contents thereof to any person,

except as authorized by the Committee or as required by law. The Contractor shall not release or disclose any draft, working papers, finding, or recommendation made by the Contractor, except as may otherwise be required by law, and except the Contractor's testimony before the Public Service Commission of Utah, otherwise than to the Committee. Any working papers, data, documents, studies, reports, and other writings which the Contractor prepares or generates in connection with its work under this Contract shall be the property of the Committee and shall be delivered to the Committee upon completion of the Contractor's services under this Contract or upon request. The Committee shall have the right to use any of these materials in furtherance of its advocacy responsibilities in accordance with applicable provisions of law. These obligations and understandings will survive termination of this Contract.

10 COMPENSATION: The Committee shall compensate the Contractor for all work and services performed by the Contractor or its approved subcontractors under this Contract on the following basis:

10.1 The Contractor's compensation for professional fees and its reimbursement for incidental and other expenses shall not exceed the total Contract amount.

10.2 The Committee shall compensate the Contractor for the necessary and reasonable time spent by each of its professional and support staff at the rates set forth in the Contract and as amended by subsequent written agreement. The Contractor is responsible for compensation of its employees including income tax and FICA withholding, workman's compensation, public liability insurance, etc. The Contractor's employees are not entitled to compensation or benefits of any kind from the State of Utah or the utility.

10.3 The Committee shall also reimburse the Contractor, at cost, for necessary and reasonable incidental expenses directly related to the project and approved as reasonable, necessary and correct. Travel expenses have the following conditions:

10.3.1 Food expenses are limited to \$38.00 per day or actual expenses whichever is less. Individually, reimbursement for meals will be limited to \$9.00 for breakfast, \$11.00 for lunch, and \$18.00 for dinner.

10.3.2 Reimbursement for lodging will be limited to the applicable State of Utah government rates. The limit for Salt Lake City is \$68.00 per night. If accommodation is unavailable within these limits, the Contractor may make reservations through the Utah State Travel Office, in which case reimbursement will be limited to the lowest rate obtainable by the Travel Office.

10.3.3 All air travel will be booked through the Utah State Travel Office unless the Contractor can obtain an airfare at a more reasonable rate by other means. In this case, the Travel Office must be asked to document the lowest rate it can obtain prior to the Contractor making final arrangements.

10.4 The Contractor will submit detailed invoices to the Committee no later than the fifteenth day of each calendar month for all work done and expenses incurred during the previous calendar month. Each invoice shall be a detailed accounting of the hours worked by each person, of each day worked, and of other direct and indirect expenses broken down by cost element (e.g. lodging, meals, transportation, photocopying, data and word processing, postage, etc) including dates, time periods, quantities, and hours as applicable. The Contractor shall provide detailed time sheets and other records/receipts, such as expense vouchers, lodging receipts and invoices for any claimed expense in excess of \$24.99.

- 10.5 With each invoice, the Contractor will provide a reconciliation with the original Contract of the work done, time spent and money claimed to date. This shall identify any additional work, not included in the original Contract, already undertaken or proposed, with an estimate of its cost; any work originally intended but which it is proposed not now to undertake, with an estimate of the savings; and the likely impact of such changes on the timetable for the project.
- 10.6 Within thirty (30) days of receipt, the Committee shall review, verify, and may approve in whole or in part, each invoice for payment. For the purpose of clarifying the Committee's approval of the Contractor's work product (including testimony), this shall mean compliance of those work products with the terms of this Contract and shall not pertain to the independent conclusions and recommendations reached by the Contractor.
- 10.7 Within forty-five (45) days of receipt, the Committee will pay up to 90 percent of the undisputed amount of approved expenses for each invoice. The money retained may be released early at the discretion of the Committee and will otherwise be released upon fulfillment of all contractual obligations. However, the Committee reserves the right to disallow up to 100 percent of the total Contract amount if:
- 10.7.1 for reason(s) the Committee believes to have been within the Contractor's control, testimony is not filed by the date specified;
- 10.7.2 at the date of filing testimony, a completely-sourced copy, with adequate supporting documentation, has not been submitted to and approved by the Committee; or
- 10.7.3 for reason(s) the Committee believes to have been within the Contractor's control, one or more members of the Contractor's professional staff, or assignees or subcontractors, fails to be present at hearing(s), or, if present, responds to questions in a manner inconsistent with pre-filed testimony, or otherwise behaves in a manner likely to bring the Committee into disrepute.
- 10.8 The acceptance by the Contractor of final payment hereunder shall operate as a general release to the Committee of all claims arising in connection with this Contract. No payment, final or otherwise, shall operate to release the Contractor from any of its obligations under this Contract.
- 11 CONTRACT TERMINATION: The Committee may terminate this Contract in whole or in part, with or without cause, upon ten days' written notice to the Contractor. Upon receipt of said notice, the Contractor shall stop all work specified in the notice and being performed hereunder; shall place no further orders or subcontracts for materials, services, or facilities, except as may be necessary for completion of any continued portion of the work; shall terminate all orders and subcontracts to the extent that they relate to the notice of termination; shall assign to the Committee, in the manner and to the extent directed by the Committee, all right, title, and interest of the Contractor under the orders and subcontracts so terminated; and shall take such actions as the Committee may direct for the protection, preservation, and disposition of property, the title to which the Committee has or may acquire under this Contract.
- 12 OBLIGATIONS: The parties hereto shall not be considered in default in the performance of their obligations under this Contract if said performance is prevented or delayed by any cause beyond the reasonable control of the party. Such causes – including, but not limited to, acts of God, acts of governmental authority, floods, strikes, explosions and riots - shall not relieve any party of liability in the event the party fails to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch. In the event that force majeure prevents or delays a party's performance, it shall promptly inform the other party of it in writing.

ATTACHMENT C: COST PROPOSAL

**Natural Gas General Rate Case
Solicitation # RM6041**

Offeror:_____

**Cost is to be submitted based on the following:
(Any deviation from this format may result in disqualification of proposal)**

List the name, job title and hourly rate for any proposed consultants:

Name: _____ Title: _____ \$ _____ / hour

Name: _____ Title: _____ \$ _____ / hour

Name: _____ Title: _____ \$ _____ / hour

PROPOSAL EVALUATION SCORE SHEET

Natural Gas General Rate Case

Solicitation # RM6041

OFFEROR: _____

EVALUATOR: _____ DATE: _____

Scoring will be based on a scale of zero to five, with five being the highest possible and zero the lowest.

- 5 = Superior
- 4 = Above average, exceeds minimum requirement
- 3 = Average, meets minimum requirement
- 2 = Fair, only partially responsive
- 1 = Poor, inadequate, fails to meet requirement
- 0 = Failure – no response

	POSSIBLE SCORE	SCORE (0 - 5)	WEIGHT	FINAL POINTS
1. Approach (25 pts.)				
Soundness	10 points		X 2	
Originality and creative concepts	5 points		X 1	
Feasibility	10 points		X 2	
2. Methodology (15 pts.)				
Understanding of the problem	5 points		X 1	
Assessment of major task	5 points		X 1	
Work plan and schedule	5 points		X 1	
3. Experience (20 pts.)				
Work experience of staff	10 points		X 2	
Direct experience in specific project	10 points		X 2	
4. Expertise (15 points)				
Educational background of staff	5 points		X 1	
Demonstrated ability to competently complete project	10 points		X 2	
5. Cost (25 points)				*Inserted by Purchasing
TOTAL EVALUATION POINTS	100 points		TOTAL	

* Purchasing will use the following cost formula: The points assigned to each offerors cost proposal will be based on the lowest proposal price. The offeror with the lowest Proposed Price will receive 100% of the price points. All other offerors will receive a portion of the total cost points based on what percentage higher their Proposed Price is than the Lowest Proposed Price. An offeror whose Proposed Price is more than double (200%) the Lowest Proposed Price will receive no points. The formula to compute the points is: Cost Points x (2- Proposed Price/Lowest Proposed Price).